

Pastoral Compensation Review

A Proven Process for Lay Leaders

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“...he [Titus] was chosen by the church to accompany us as we carry the offering, which we administer in order to honor the Lord himself and to show our eagerness to help. We want to avoid any criticism of the way we administer this liberal gift. For we are taking pains to do what is right, not only in the eyes of the Lord, but also in the eyes of men” (II Corinthians 8:19-21)

As a pastor I almost always enjoyed monthly church board meetings with the exception of November – the annual discussion of the new budget and my compensation for the following year. In a matter of moments the people I loved and enjoyed working with suddenly became strangers. I remember one November meeting quite well – I wasn’t looking for a raise in salary, just a fair hearing and some confirmation regarding my ministry.

When the discussion of my salary and benefits started, all the old jokes about “working one day a week” and “What is it that you actually do?” rolled out. Everyone laughed but I felt humiliated. In their defense, they had no structured approach for making compensation decisions and were embarrassed and nervous. They covered their tension with laughter.

I think they were as surprised as I was when in anger I quietly blurted out, “*I bet your employer doesn’t make fun of you at your annual review!*” The laughter ceased and the silence that followed was broken by an elder who conducted performance and salary reviews for his department at a Fortune 500 corporation. He said, “*You’re right pastor – we apologize. If you’ll help me, I’ll create a process so this doesn’t happen again.*” Together we drafted and refined a compensation review process that accomplished some predictable and surprising benefits. Years later the church is still using that process and has shared it with other churches. Your church may have a workable process, but some of the ideas here may prove to be helpful.

Two Phone Calls

In my current work I speak often with lay leaders throughout The Metropolitan District. Not long ago within a two-week period I received two phone calls from two elders in two very different churches asking the same question. One church was small and blue collar with a budget under \$75,000. The other church was large and professional with a budget of \$1 million. The two elders sounded like they were reading off the same script: “*How much should we be paying our pastor?*” No doubt they were looking for a quick solution to a complicated issue, hoping that I could pick a number off a chart that would perfectly fit their pastor, their congregation and their community. Consequently, I did not make, nor will ever make, monetary suggestions for any part of a compensation package. My stock response to their question was this: “***First of all, you***

will need to do the hard work of discovering a fair level of compensation and benefits for both your pastor and the congregation at this time. But secondly, and more important, do you have an annual compensation review process?” Now I would have thought that the large church filled with professionals would have had all this nailed down tightly, but both elders answered, “*What do you mean by a compensation review process?”*”

Before we look at this proven compensation review process for the local church, let’s answer three questions:

1. Why do most churches avoid performance reviews for their pastor?
2. What does “double honor” (I Timothy 5:17, 18) really mean?
3. What are the benefits of an effective compensation review process?

Avoiding Performance Reviews

Why do most churches avoid an annual review process that engages the pastor and pastoral staff individually in a face-to-face dialogue with lay leaders? Let me offer three suggestions. **First**, I think there’s a climate left over from the industrial age in which hourly wage earners had unions to negotiate their salaries and benefits. The worker was never engaged in those negotiations – any increase simply appeared in the pay envelope. Some of our congregants still belong to unions. **Secondly**, many professionals who sit on church boards receive annual performance reviews which they consider unspiritual, competitive and even adversarial. They are wise not to replicate their experience in the church. And **thirdly**, the professionals I have known who conduct performance reviews in the for-profit sector dislike them as much as the employees who work under them. Given the nature of the church, wise pastors and lay leaders want to avoid the type of quantitative performance review found in corporate America, and well they should.

Unfortunately though, most lay leaders lean to the other extreme – the “safety” of a casual process, or none at all. Without an annual review, lay leaders are left ill-equipped and embarrassed while pastors are left bitter and alone asking, “Does anyone care?” Furthermore, most pastors feel as I did – like “overhead” in the church budget instead of the most important ministry asset the church possesses – “...and He gave some to be pastors...to prepare God’s people for works of service, so that the body of Christ may be built up...” If Ephesians 4:12 means anything to the local church, it means that everything else the church supports financially is of less importance than the pastor’s compensation package. Without Christ’s pastoral gift to the church, she wanders aimlessly. Observe the church in pastoral transition. Let me suggest that instead of a performance review, church leaders should conduct a compensation review.

Double Honor

An annual compensation review for the pastor or pastors should be conducted in the spirit of I Timothy 5:17 and 18:

The elders who direct the affairs of the church well are worthy of double honor, especially those whose work is preaching and teaching. For the Scripture says, 'Do not muzzle the ox while it is treading out the grain,' and 'The worker deserves his wages.'

Unfortunately, the background of “double honor” is unclear. The scholars are all over the board from “double pay...given to worthy soldiers or to elders who did not have large property holdings¹ The problem with a double stipend is, the doubling of what?² One scholar suggests that these elders should be considered as “deserving” twice the salary they get.³ Philip Towner suggests that double honor simply means “honor” and “honorarium” – respect and remuneration.⁴ If the guiding principles of respect and remuneration are held in careful balance by spiritually-minded lay leaders, the material needs of the pastor’s family will most likely be more than minimally met.

Regarding respect and remuneration, several years ago George Barna conducted research on eleven pastoral functions. To put the pastor’s responsibilities, roles, skills, hours and 24/7 availability in perspective, here is the list of functions Barna used – (1) preaching and teaching, (2) encouraging people, (3) shepherding, (4) leadership, (5) motivating people, (6) discipleship, (7) evangelism, (8) counseling, (9) administration, (10) strategizing, and (11) fundraising.⁵

Now most pastors I know don’t whine about the complexity of their work, but it is overwhelming much of the time. This is precisely why Paul was inspired to include both an Old Testament and Gospel reference to support “double honor”. “Do not muzzle the ox while it is treading out the grain” (Deut. 25:4) is a call to **humaneness**, and “...the worker deserves his wages...” (Luke 10:7) is a call to **justice**. The church that does not provide a just wage, when it is capable of doing so, is acting inhumanely and is guilty of withholding the double honor of respect and remuneration. Some churches need a cleansing through repentance for their lack of respect and miserly remuneration to pastors who direct the “affairs of the church well” and preach and teach the Word of God effectively. Pastors, of course, must never be “a lover of money” (I Timothy 3:3), which is incongruous with Christian ministry (Exodus 20:4; Matthew 6:24), but he should have enough to manage and care for his own family well (I Timothy 3:4).

On the other hand, “double honor” raises pastoral performance expectations. What about the pastor who does not “...direct...well...”? What about the pastor who is not self motivated or resists personal and professional growth? Does such a pastor deserve a church that desires empowering leadership skills and offers “double honor” as compensation? Sadly, some pastors either missed their life calling altogether, or lost it along the way and no longer qualify for double honor. Likewise, there are churches that resist change and empowering pastoral leadership. Perhaps these churches and likeminded pastors deserve each other! My point is, while a compensation review process is not entirely a quantitative performance review, it must include some discovery and evaluation of leadership effectiveness. After all, Paul’s instruction to Timothy is clear, those “...worthy of double honor...” “...direct the affairs of the church **well** [my emphasis]” (I Timothy 5:17). If it is “directed well”, the church should be healthy

and growing, and if it's growing there should be some quantitative evidence. If the church is plateaued the pastor and lay leaders should know the reasons why.

The text of I Timothy 5:17 and 18 implies that some lay leaders, somehow, in every local church must make a determination of "double honor". Orderliness, authority and Christian love call for a process that satisfies the nature of the church as the body of Christ and the household of God, and dignifies the sacred calling of its spiritual overseer (I Timothy 3:1-7). While a compensation review process will seem cumbersome at first, remember, it's the most important budgetary responsibility the church has. This responsibility belongs in the category of "...taking pains to do what is right..." (II Corinthians 8:21).

Ten Benefits

Before looking at the attached proven process, first consider the ten benefits for pastors, lay leaders and congregation. These benefits are far reaching and well worth the time and effort invested. The goal of the Compensation Review Team (CRT) is to engage the senior pastor and pastoral staff individually in a meaningful, heartfelt dialogue that is safe, caring and confidential. It's an extended conversation in which freedom and honesty are expected and guarded. The dialogue should accomplish the following beneficial objectives:

1. To **assess** the pastor's leadership style and initiatives as well as the congregation's responses (Ephesians 4:12, 13). Is there a multiplication of ministry taking place in the church, community and the world?
2. To **evaluate** responsibilities, outcomes and best uses of time and giftedness. Is micromanagement robbing the pastor of his resources that should be devoted to leadership?
3. To **dignify** the sacred calling and task of preaching and teaching (I Timothy 5:17). The process itself confirms for the pastor and people that the ministry and messenger of the Word of God are authoritative and prioritized.
4. To **create** an ethical environment in which no one person – pastor or lay – can overly influence the outcomes. The revolving membership of the Compensation Review Team from year to year purifies this process.
5. To **dialogue** openly with the pastor regarding salary, benefits and needs (I Timothy 5:17) and to **provide** annual opportunity for the pastor to safely ask for justifiable increases.
6. To **communicate** to the pastor sufficient information and honest conclusions regarding outcomes of the review. This eliminates the emotionally nagging speculation that secrecy and silence breeds.

7. To **assure** the pastor's spouse and family that church leaders have heard and acted upon needs and requests. This intentional care extended to the ministry couple and children is critical to their ministry effectiveness as a family.
8. To **empower** church leaders to act as advocates on behalf of the pastor and congregation in both determining and defending "double honor". By annually explaining the process at the membership meeting, the unity of the church is well guarded.
9. To **assure** the congregation that their pastor is cared for in the context of accountability, fairness and love. The process should eliminate any concerns to the contrary.
10. To **liberate** the pastor and congregation from the perception that preaching on Christian giving is self serving on the part of the pastor. This process severs any imagined connection between giving and compensation.

Such a dialogue should facilitate wholesome communication, deeper understandings, greater accountability and trust, and ultimately the "double honor" that undoubtedly contributes to longer pastoral tenure. If these benefits are not convincing, look at the list again and consider the opposite outcomes that will adversely impact the church's spiritual health.

Conclusion

Let me conclude by challenging two common but erroneous patterns of thinking related to pastoral compensation that are also detrimental to church health. The first common error is thinking that each budget line item dollar amount must somehow reflect the priorities of the church's ministry. For example, I've heard lay people criticize the small budgetary cost of doing evangelism by comparing it to the costs associated with Christian education, worship, janitorial supplies and even salaries and benefits. While evangelism is of primary importance, its true cost is not measured in dollars but in leadership, passion and time. Those who challenge church budgets based on line item dollar amounts fail to recognize leadership as the church's most important investment. Lay leaders must help the congregation to highly value its pastoral leadership. This is especially true in the small church in which the compensation package of the solo pastor might be 40 to 60% of the total budget. Remember, your pastor is not "overhead" or even "administration", but leadership – the most important investment the church makes each year.

A second common error in thinking on the part of leaders and pastors alike is twofold – either pastors *should never* ask for a raise in pay or pastors *should* ask for a raise in pay. The current literature encourages pastors to ask for a raise. For instance, "If you're not happy with what you make, talk to your board. Maybe they can help. Or maybe not. But at least you'll know where you stand."⁶ Other examples can be cited.

If I Timothy 5:17 and 18 is sincerely practiced in the church, *lay leaders will initiate an annual review process in which the pastor's financial needs are explored and resolved in a way that the pastor never has to ask for a raise.* In other words, opportunity is given each year for the pastor to disclose family needs – both salary and benefits. The CRT **should ask** for these needs along with justification. Justification implies there are no apparent weaknesses in the pastor's personal financial management. The church leaders then would re-evaluate the compensation package as well as the church's ability to respond favorably at the present time.

This raises the question: What about pastors who are poor money managers or challenged in their marriage over finances? More money, of course, is not a justifiable solution. Pastors in these situations need the help and care of the CRT. Pastors in crisis must be willing to disclose personal financial problems for the purpose of stopping the financial hemorrhaging and strengthening the management of their income. Remember, your pastor faces the same challenges and weaknesses in money management as does everyone else. Act redemptively and help him become a good model of faithful stewardship. A budget course like Good \$ense or Crown Financial Ministries, along with personal coaching and accountability, will make a huge difference in the pastoral couple's life and ministry. I've wondered if the shortness of pastoral tenure is related in some cases to poor money management and the ensuing desperation to find a higher paying pulpit somewhere else. If the Compensation Review Team suspects this is a problem, they should do the right and caring thing – the pastor you love just might stay longer.

Thanks

The Metropolitan District is grateful to the leadership of Valley View Chapel (C&MA) in Long Valley, New Jersey for their help and generosity in making this document available for distribution. Special thanks to Mr. Mort Averett who has labored to refine the process at Valley View Chapel. Mort currently serves on the Metro District Executive Committee. Mort and his wife, Pamela, faithfully serve at VVC. Mort works for Hewlett-Packard.

I also want to thank Mr. Keith Horn, the elder at Valley View Chapel who offered to create the process with me back in the early 90's. Keith and his wife, Valerie, are active leaders in the Alliance Church in Corning, New York. Keith worked at Allied Signal and now at Corning Glass.

Keep in mind as you read that the process was created and used by a then small church with a solo pastor. This is not a "large" church process.

Notes

¹Craig S. Keener, *The IVP Bible Background Commentary – NT* (Downers Grove, IL: InterVarsity, 1993), p. 618.

²Ralph Earle, *The Expositor's Bible Commentary, Vol. 11, "1, 2 Timothy"* (Grand Rapids, MI: Zondervan Publishing House, 1978), p. 380.

³Ibid.

⁴Philip H. Towner, *The IVP New Testament Commentary Series, "1-2 Timothy & Titus"* (Downers Grove, IL: InterVarsity Press, 1994), p. 124.

⁵George Barna, "Pastors Rate Themselves Highly, Especially As Teachers", *The Barna Update*, January 7, 2002.

⁶Editor, *REV Magazine* (Loveland, CO: Group Publishing , Inc., January/February 2005, Vol. 8, No. 3), p. 18.

Annual Compensation Review Process

Step 1

Elders Review

- a) **Purpose:** General check on health and well being of the pastor/s. More detailed check on compensation issues. Provide private forum for pastor/s to share financial concerns.
- b) **Result:** Elders to provide feedback to Compensation Committee on any compensation/financial issues. See attached Review Questions. Elders to provide feedback to Elders or Governing Board on non-compensation/non-financial concerns. See attached Review Questions.
- c) **Who Participates:** Two elders, both of whom are on the Governing Board and one of whom is also on the Compensation Committee.

Step 2

Compensation Committee Recommendations

- a) **Purpose:** Based on feedback from the Elder reviews and other items from the review questions attached, recommendations for the following year's compensation package are developed and recommended to the Finance Committee for approval.
- b) **Who Participates:** (Currently 5 individuals) Two elders, one of whom is on the Governing Board and one of whom chair's the Compensation Committee; the Chairperson of the Finance Committee; and others (currently 2) who express an interest and have the experience or knowledge base to productively add to the committee.

Step 3

Finance Committee Review

- a) **Purpose:** As part of the annual budget process, recommendations by all committees are reviewed for reasonableness and "affordability" given the church's financial health.
- b) **Who Participates:** (Currently 5 individuals) One of whom is the Church Treasurer and one of whom, as Chairperson of the Finance Committee, is also on the Compensation Committee.

Step 4

Governing Board Review

- a) **Purpose:** As part of the annual budget process, recommendations of all church committees including the Compensation Committee's recommendations, as well as any recommended changes put forth by the Finance Committee, are reviewed and voted on. Sometimes the recommendations are approved, and sometimes they are approved only after being modified by the Governing Board.
- b) **Who Participates:** All members of the Governing Board except for church employees. This includes both elders who were part of the Elder Review and one of whom is on the Compensation Committee. In addition, the Chairperson(s) of the Finance Committee and/or Compensation Committee(s), if not otherwise on the Governing Board, attend this Governing Board meeting to assist the Governing Board in its review of the recommendations.
- c) **Result:** After the Governing Board vote, church staff is informed what the recommendations are for the following year and that they are subject to Congregational approval of the Budget.

Step 5

Congregational Approval

At the annual congregational meeting an elder involved in the review process will act as advocate in two ways. One, defend the process by reviewing it with the members since members change and forget from year to year; And two, defend the changes in the compensation package. See the attached slides that describe the process.

**Review Questions
For
Full-Time Pastoral Staff**

NAME: _____ DATE: _____

In the past year, what did you enjoy most in your ministry?

In the past year, what did you enjoy least in your ministry?

What did you find to be the most frustrating part of your ministry?

What changes could be made to make your ministry more effective?

How could we, the Staff, Boards, Committees or the Church Body, help you in your ministry?

What changes would you like to see made in the office process?

What are your goals for the next year?

What help or tool do you need to accomplish them?

Where do you see yourself in 5 years?

On average, how many hours do you work per week, official and unofficial?

Official _____ Unofficial _____

How many nights are you out per week?

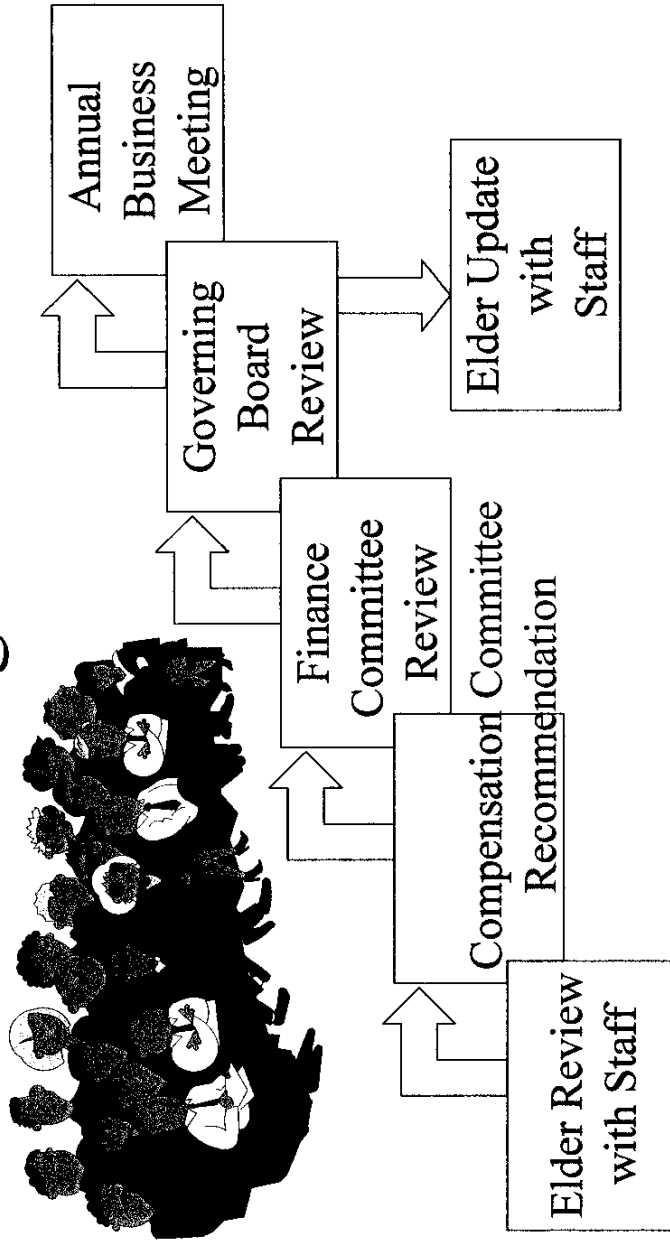
How often are you able to make your day off a true day off?

Does your current compensation enable you to participate in all of the Church's extra activities?

Does your current compensation enable you to meet your needs?

What other needs/concerns do you have that we have not addressed?

VVC Annual Compensation Setting Process



VVC Annual Compensation Setting Process

Elder Review with Staff

- General check on health and well being of staff
- Detailed check on compensation issues
- Private forum for staff to share financial concerns
- Elders meet with ministry staff
- Administrative Assistant meets with hourly staff
- Feedback is provided to the compensation committee



VVC Annual Compensation Setting Process *Compensation Committee Recommendations*

Purpose: To provide recommendations to the Governing Board for fair compensation for the services of VVC's staff

Process: Gather data and develop recommendations



VVC Annual Compensation Setting Process *Compensation Committee Recommendations*

Data Gathering

Obtain the following:

- Compensation comparables for religious workers
- The current 12 month average Inflation rate
- Mean(average) and median(50% of households have more, 50% have less) household income
- Current salary data and percent increases for Washington Township school system
- Average percent wage increases in corporate sector
- Input from Elder review with the staff

VVC Annual Compensation Setting Process

Compensation Committee Recommendations

Development of Recommendations

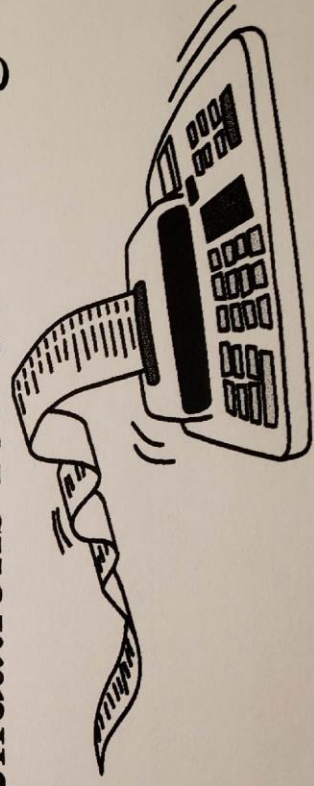
- Develop consensus on initial recommendation
- Compare to compensation for religious workers
- Determine approximate 'net pay' of the pastor after housing expenses and income taxes
- Calculate approximate layman's equivalent pay
- Compare layman's equivalent pay to salary data collected
- Review compensation relative to other VVC staff to assure fairness
- Adjust recommendations
- Final recommendation reached by consensus



VVC Annual Compensation Setting Process

Finance Committee Review

- Part of VVC annual budget process
- Review of recommendations of all committees
- Evaluate reasonableness and ‘affordability’ based on VVC’s financial health
- Provide budget growth numbers to Governing Board
- May add recommendations for Governing Board review



VVC Annual Compensation Setting Process

Governing Board Review

- Part of annual budget review process
- Reviews all budget items
- Adjusts budget based on:
 - Faith
 - Balanced program needs
 - Biblical stewardship principles
- Votes on final budget to be presented at VVC's annual business meeting

